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SUBJECT: SUCCESSFUL DEVELOPMENT PARTNERS MEETING IN RWANDA

¶1. (SBU) Summary. The GOR convened its sixth annual Development Partners Meeting in Kigali on November 22 to 24. Sessions included presentations and discussions on such topics as economic growth, private sector development, agriculture, decentralization, aid policy, and governance. Donor governments made formal statements on the GOR presentations, the IMF offered its own critique of the state of the economy, and a final communique (attached) summarized the participants' conclusions. During the discussion on governance, the government detailed its plans to further improve the judiciary, citizen participation in decentralized sectors and districts, and human rights. Donors pledged additional funds for the GOR's education sector development. President Kagame made interesting remarks on the need for the process to be "owned" by the Rwandan people and government, while working closely with donors. End summary.

¶2. (SBU) The three day event consisted of extensive presentation by ministers and senior civil servants on the following topics: the 2006 performance of the Rwandan economy, planning for economic growth and poverty reduction, private sector development and long term investments, agriculture and economic growth, decentralization, governance and the rule of law, and implementation of aid policy. Each session also included open debate on the topics following the power-point presentations. Minister of Finance James Musoni opened the sessions, and chaired several following discussions. On governance issues, Local Government Minister Protais Musoni offered opening thoughts, followed by Justice Minister Karugarama on the legal sector, Gacaca Executive Secretary Mukantaganzwa on gacaca court proceedings, and

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Special Advisor Gatare on NEPAD findings in the African Peer Review Process.

¶3. (SBU) The sessions opened with remarks from President Kagame, who asked that donors place special emphasis on "policy ownership" by the recipient country, rather than policy prescriptions from foreign capitals. He recalled Rwanda's history, particularly the tragic events of the genocide, and asked donors to accept that Rwanda had made considerable progress since 1994. Speaking tartly at times, and noting donor worries over political space, governance, and pluralism, he appealed for donors to give Rwanda "some breathing space, time to build our future, to develop and enjoy the benefits of development like our development partners."

¶4. (SBU) In response, donor governments offered formal comments, summarized in the communique. For example, donors

expressed satisfaction with Rwanda's strong growth rate, and its successful efforts at macro-economic stability, administrative reform, and financial management. Partners expressed concern over the availability of sufficient energy supplies to sustain industry and agriculture, the risk that excessive population growth posed to future growth, and the need to scale up development aid while maintaining absorption capacity. Donors recommitted themselves to the Paris Declaration, regarding alignment of donor programs with host government priorities to promote in-country development and ownership. Toward the end of the sessions, the UK representative announced that donors, praising the GOR's new education sector development plan, had pledged 27 million dollars for the current year and 44 million for the next year under the G-8's Fast Track Education Initiative.

15. (SBU) In separate statements, the UNDP and IMF Resident Representatives called for positive enabling environments for the private sector, careful management of debt sustainability in financing development, and productive use of aid while preserving macroeconomic stability. Each urged continued progress on decentralization, education and health, and good governance.

16. (SBU) Comment. Although somewhat overshadowed by the Rwandan rupture of relations with France (reftel), the Development Partner's meeting took place in an atmosphere of frank discussion and extensive review of Rwanda's recent performance and its prospects for the future. Donors are genuinely impressed with Rwanda's stewardship of development resources, while mindful of the significant challenges Rwanda faces in its effort to transform a poor rural society into a nation and economy better equipped for the globalized marketplace. End comment.

17. (U) Text of Communique:

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Sixth Annual Government of Rwanda and Development Partners
Meeting
FINAL COMMUNIQUE

1. At the invitation of the Government of the Republic of Rwanda, the sixth Annual Meeting of the Government and its Development Partners was held from 22nd to 23rd of November, 2006 in Kigali. His Excellency Paul KAGAME, The President of the Republic of Rwanda, opened the conference. Mr James MUSONI, Minister of Finance and Economic Planning, presided over the proceedings, assisted by Development Partners as co-chairs.

2. Representatives of the following governments participated in the meeting: Austria, Belgium, Burundi, Canada, China, Egypt, France, Germany, Holy See, Italy, Japan, Kenya, Kuwait (KFAED), Luxembourg, Netherlands, Norway, Russian Federation, Saudi Arabia, South Africa, Sweden, Switzerland, Uganda, United Kingdom, United States. The following organisations also participated in the Meeting: African Capacity Building Fund, African Development Bank, European Commission, European Investment Bank, FAO, Global Fund, IFAD, IMF, International Trade Centre, OFID, UNAIDS, UNDP, UNECA, UNFPA, UNHCR, UNICEF, UNIFEM, WFP, WHO, World Bank. Representatives from International and Local NGOs, the Private Sector and Civil Society were also in attendance.

3. The theme of this year's conference was "Long-Term

Investments for Economic Growth and Poverty Reduction". The agenda of the Meeting covered an assessment of Rwanda,s economic performance in 2006; planning for economic growth and poverty reduction; progress in the energy sector; science, technology and research; private sector development; planning for financial sector development, and agriculture; progress in decentralisation reforms; issues of governance, rule of law and reconciliation; and challenges and opportunities in terms of the volume and effectiveness of foreign aid to Rwanda.

¶4. In his keynote speech, His Excellency the President of the Republic of Rwanda drew particular attention to the need for increased space for policy ownership on the part of the Rwandan people in the definition and implementation of Rwanda,s development vision. He spoke of an emerging global consensus on national ownership of development activities, challenging participants to turn this into an achievable plan, and calling upon development partners to further strengthen genuine relationships based on open and honest dialogue with the Government of Rwanda. His Excellency the President of the Republic expressed his appreciation for the support provided by Development Partners in relation to his Government,s development programme.

¶5. The UN Resident Coordinator delivered a statement on behalf of Development Partners, which commended the progress that Rwanda has made in delivering on its development agenda, reaffirming Partners, continued support to Rwanda, while recognising that many challenges remained.

¶6. Over the course of the Meeting, participants noted significant achievements since last year in the areas of Aid Policy; reforms in Public Financial Management;

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administrative reforms; export strategy; planning for financial sector development; and the maintenance of macro-economic stability. Challenges identified included poverty alleviation, gender, good governance and service delivery.

¶7. Participants noted with satisfaction the strong growth of the Rwandan economy since last year,s Meeting, particularly the growth in agriculture and service sectors, and the increase and diversification of exports. The need to make business in Rwanda more competitive was highlighted, with interventions here including investments in infrastructure and human capital, the development of an appropriate legal framework, and a further deepening of the financial sector.

¶8. Participants agreed that high rates of population growth are compromising economic development efforts. The need for a better understanding of the underlying drivers of population growth was discussed, and participants agreed that education and family planning would play a key role in managing future population growth. They recognised the need for well thought through solutions to

address the problem in the short- to medium-term.

¶9. The Government presented its progress in the elaboration of the Economic Development and Poverty Reduction Strategy (EDPRS), and its single planning tool, the Long Term Investment Framework. Participants commended the accomplishments to date in the development of the EDPRS, and acknowledged the high degree of national ownership and participation throughout its elaboration. It was agreed that the EDPRS will guide development interventions in the medium term. Emerging priorities in the EDPRS were discussed, focussing on productivity enhancing interventions, and the need for continued progress in the social sectors. Participants welcomed and supported strongly the adoption of these co-priorities as Rwanda seeks to attain its Vision 2020 objectives. Participants also welcomed the Government's reiteration of its commitment to macroeconomic stability and fiscal discipline.

¶10. Whilst acknowledging the progress made over the last year, participants noted that the availability and affordability of energy remains a significant barrier to the development of industry, agricultural transformation, and the provision of high quality services to the Rwandan citizen. Participants noted with satisfaction the advances made in planning for the energy sector, which highlighting significant resource gaps both now and in the future. Participants highlighted the need to develop hydroelectric power in the national and regional context, and to diversify energy generation in a cost effective manner. Ongoing work on the Kivu methane facility should go some way to achieving this.

¶11. Participants recognised the strategic role being played by the private sector in employment creation and enhancing growth and poverty reduction. They recognised the need to remove barriers to doing business, to improve the business environment, and the need to improve Rwanda's image abroad. They went on to note with satisfaction the work being undertaken in partnership by the Government of Rwanda and private sector organisations in creating a favourable environment for the development of existing and new businesses. The Government presented its Financial

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Sector Development Plan, which envisages a diversification of financial instruments, and Development Partners committed to support the implementation of this Plan.

¶12. Participants recognized the importance of capacity building in science, technology and research, and in all sectors of the economy, for long term sustained economic growth and poverty reduction.

¶13. Participants noted the importance of agriculture to the Rwandan economy. Successful transformation of the agricultural sector is crucial to pro-poor growth in

Rwanda, to increasing households incomes, to reducing vulnerability to climatic shocks and changes in the global market for agricultural commodities. Progress in planning and delivery in the agricultural sector was noted, and the need for further support to ensure the successful implementation of the Strategic Plan for Agricultural Transformation was highlighted. However, there was consensus that continued growth in industry and services remains an important priority.

¶14. Participants commended ongoing developments in decentralisation reforms. Fiscal decentralisation provides for a strong framework within which districts can deliver high quality public services to the Rwandan citizen. Decentralisation strengthens accountability and transparency, and brings decision-making and economic empowerment closer to the Rwandan people. Development Partners committed their continued support to strengthening the implementation of Rwanda,s programme for decentralisation, in the context of Rwanda,s Decentralisation Strategic Framework.

¶15. Development Partners commended the good progress made in governance and entrenching the rule of law, voice and accountability, and the eradication of corruption. Participants reaffirmed their belief that continued progress in these areas is a prerequisite to Rwanda,s economic development. Development Partners recognised the existence of clear programmes aimed at continued improvement of this area and, as suggested by His Excellency the President of the Republic of Rwanda, agreed that good governance should be discussed openly with Partners. Participants agreed to the development of a joint governance framework that will guide mid-term good governance programmes in Rwanda.

¶16. The Government presented the outcomes of its recent assessment under the NEPAD African Peer Review Mechanism (APRM). Development Partners commended the Government of Rwanda for being one of only three countries to have completed the Peer Review, and reiterated their strong support to NEPAD, and the APRM in particular. Participants noted that the report,s recommendations would be useful to Rwanda in continuing its good governance agenda. Participants acknowledged the Government,s decision to mainstream the APRM Plan of Action into the forthcoming EDPRS, noting that the two are consistent with one another. Partners committed to support its implementation through existing channels of cooperation.

¶17. Participants noted the progress made in the sector of rule of law and reconciliation, and committed their continued support to efforts in national unity and reconciliation. Rwandan-owned initiatives in this area,

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particularly the development of the Gacaca process as a means of accelerating the resolution of cases that cannot be met in the conventional justice system, were praised for their innovative work in

responding to Rwanda,s specific needs in this area.

¶18. Following the endorsement of its Aid Policy by the Cabinet this year, the Government presented its plans for the implementation of this Aid Policy, whilst fulfilling the commitments it entered into with its donors under the Paris Declaration on Aid Effectiveness. While expressing their full support, donors recognised that improvements in governance, procurement, monitoring and evaluation are essential for scaling up and its ultimate success. Participants commended the Government for its strong leadership and the participatory process adopted in the elaboration of this Policy. Ongoing reforms in public financial management were noted with satisfaction, and it was agreed that further improvements were essential.

¶19. The donor community pledged to support the Government,s plans for the implementation of aid effectiveness initiatives. In a joint statement presented by Rwanda,s donors, praise was accorded to the participatory process in which the Aid Policy was elaborated, and the aims underlying it. Donors agreed to support the Government,s plans in this area by providing assistance in a manner consistent with the Government,s priorities.

¶20. Participants agreed that, in the medium-term, significant scaling up in development aid is necessary if Rwanda is to meet the targets set by the Millennium Declaration, and its long-term objectives set out in its Vision 2020. Participants noted the efforts being made to cost the forthcoming EDPRS, and it is anticipated that this costing exercise will provide a clearer indication of financing gaps in the medium term.

¶21. Participants agreed that for most of their proposals to be implemented effectively, the issue of capacities needs to be attended to.

¶22. Participants discussed the importance of ensuring that macroeconomic stability is maintained in the face of future increases in aid flows. At the same time, participants agreed on the need to ensure that Rwanda,s increased investments do not compromise debt sustainability.

¶23. Participants concluded by acknowledging the strong convergence of views between the Government of Rwanda and its Development Partners during the open and frank discussions. The importance of continued and strengthened partnership was highlighted, with the Government reiterating its gratitude to its Partners for their continued support to the development of Rwanda. Development Partners expressed satisfaction with the quality of partnership that exists between them and the Government of Rwanda. They conveyed their gratitude to the Government for organising this important forum for dialogue, and for its warm hospitality.

Adopted on 23rd November 2006
InterContinental Hotel, KIGALI

End text.

